
SENATE BILL No. 320

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-4.

Synopsis: Research expense tax credit. Removes current limitations on the research expense tax credit for a taxpayer who has income apportioned to the state for a taxable year. Removes the expiration date for the credit.

Effective: July 1, 2002; January 1, 2003.

Skillman

January 8, 2002, read first time and referred to Committee on Finance.

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PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

SENATE BILL No. 320

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3.1-4-1 IS AMENDED TO READ AS
- 2 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. As used in this
- 3 chapter:
- 4 "Base amount" means base amount (as defined in Section 41(c) of
- 5 the Internal Revenue Code **as in effect on January 1, 2001**).
- 6 "Base period Indiana qualified research expense" means base period
- 7 research expense that is incurred for research conducted in Indiana.
- 8 "Base period research expense" means base period research expense
- 9 (as defined in Section 41(c) of the Internal Revenue Code before
- 10 January 1, 1990).
- 11 "Indiana qualified research expense" means qualified research
- 12 expense that is incurred for research conducted in Indiana.
- 13 "Qualified research expense" means qualified research expense (as
- 14 defined in Section 41(b) of the Internal Revenue Code **as in effect on**
- 15 **January 1, 2001**).
- 16 "Pass through entity" means:
- 17 (1) a corporation that is exempt from the adjusted gross income



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- tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

"Research expense tax credit" means a credit provided under this chapter against any tax otherwise due and payable under IC 6-2.1 or IC 6-3.

"Taxpayer" means an individual, a corporation, a limited liability company, a limited liability partnership, a trust, or a partnership.

SECTION 2. IC 6-3.1-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) A taxpayer who incurs Indiana qualified research expense in a particular taxable year is entitled to a research expense tax credit for the taxable year

(b) ~~A taxpayer who does not have income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year~~ in the amount of the product of:

- (1) five percent (5%); multiplied by
- (2) the remainder of the taxpayer's Indiana qualified research expenses for the taxable year, minus:
 - (A) the taxpayer's base period Indiana qualified research expenses, for taxable years beginning before January 1, 1990; or
 - (B) the taxpayer's base amount, for taxable years beginning after December 31, 1989.

(c) ~~A taxpayer who has income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year in the amount of the lesser of:~~

- (1) ~~the amount determined under subsection (b); or~~
 - (2) ~~five percent (5%) multiplied by the remainder of the taxpayer's total qualified research expenses for the taxable year, minus:~~
 - (A) ~~the taxpayer's base period research expenses, for taxable years beginning before January 1, 1990; or~~
 - (B) ~~the taxpayer's base amount, for taxable years beginning after December 31, 1989;~~
- ~~further multiplied by the percentage determined under IC 6-3-2-2 for the apportionment of the taxpayer's income for the taxable year to this state.~~

SECTION 3. IC 6-3.1-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. The provisions of Section 41 of the Internal Revenue Code **as in effect on January 1, 2001**, and the regulations promulgated in respect to those provisions **as in effect on January 1, 2001**, are applicable to the interpretation and



administration by the department of the credit provided by this chapter, including the allocation and pass through of the credit to various taxpayers and the transitional rules for determination of the base period.

SECTION 4. IC 6-3.1-4-6, AS AMENDED BY P.L.4-2000, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. ~~Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for Indiana qualified research expense incurred after December 31, 2002.~~ Notwithstanding Section 41 of the Internal Revenue Code, the termination date in Section 41(h) of the Internal Revenue Code does not apply to a taxpayer who is eligible for the credit under this chapter for the taxable year in which the Indiana qualified research expense is incurred.

SECTION 5. [EFFECTIVE JANUARY 1, 2003] **(a) Except as provided in subsection (b), IC 6-3.1-4-2, as amended by this act, applies to taxable years beginning after December 31, 2002.**

(b) If a taxpayer is entitled to a credit under IC 6-3.1-4-2, as amended by this act, for a taxable year that begins before January 1, 2003, but has not ended before January 1, 2003, the amount of the credit for the taxable year that the taxpayer may claim under this SECTION is equal to:

(1) the amount of the credit that the taxpayer would have been entitled to under IC 6-3.1-4-2, before its amendment by this act, for the taxable year multiplied by a fraction, the numerator of which is the number of months in the taxpayer's taxable year that occur before January 1, 2003, and the denominator of which is twelve (12); plus

(2) the amount of the credit that the taxpayer would be entitled to under IC 6-3.1-4-2, as amended by this act, for the taxable year multiplied by a fraction, the numerator of which is the number of months in the taxpayer's taxable year that occur after December 31, 2002, and the denominator of which is twelve (12).

(c) This SECTION expires January 1, 2004.



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